

**MINUTES**  
**HOUSING AND COMMUNITY DEVELOPMENT COMMISSION (HCDC)**  
**Meeting – February 22, 2012**  
**Fresno City Hall, Room 2165-A (2<sup>nd</sup> Floor)**  
**2600 Fresno Street**  
**Fresno, California 93721**

**A. CALL TO ORDER**

With a quorum being present, the meeting was called to order by Chair Cox at 5:10 p.m.

**Commissioners**

Present: Rogenia Cox, CHAIRPERSON  
Judge Armando Rodriguez, VICE-CHAIR  
Bob Farrar, Commissioner  
Barbara Fiske, Commissioner  
Stephanie Roberts, Commissioner

Absent: Daniel Payne, Commissioner  
Drew Wilson, Commissioner

**Staff**

Present: Claudia Cázares, Manager  
Housing and Community Development  
Bonnie Christian, Recording Secretary

Absent: Craig Scharton, Assistant Director  
Development and Resource Management  
Department

**B. COMMUNICATIONS**

None

**C. APPROVAL OF MINUTES**

1. MOTION: Commissioner Farrar made a motion to approve the HCDC meeting minutes of January 25, 2012  
SECONDED: Vice-Chair Rodriguez  
AYES: Chair Cox, Vice-Chair Rodriguez, Commissioners Farrar, Fiske, and Roberts  
NOES: None  
ABSTAIN: None
2. MOTION: Commissioner Farrar made a motion to approve the HCDC meeting minutes of February 8, 2012  
SECONDED: Commissioner Fiske  
AYES: Chair Cox, Commissioners Farrar, Fiske, and Roberts  
NOES: None  
ABSTAIN: Vice-Chair Rodriguez abstained from voting due to his absence from the February 8 meeting

**D. GENERAL ADMINISTRATION**

1. RECOMMEND APPROVAL OF AMENDMENT NO. 1 TO THE \$1.4 MILLION HOME INVESTMENT PARTNERSHIPS PROGRAM COMMUNITY HOUSING DEVELOPMENT ORGANIZATION AGREEMENT WITH THE KING OF KINGS HOUSING DEVELOPMENT CORPORATION TO INCREASE THE NUMBER OF UNITS IN THE BRIDGES AT FLORENCE AFFORDABLE SENIOR HOUSING PROJECT FROM 21 TO 34, EXTEND THE PROJECT COMPLETION DATE FROM OCTOBER 1, 2013 TO OCTOBER 1, 2014, INCREASE THE PROJECT BUDGET, AND UPDATE THE 55-YEAR CASH FLOW STATEMENT. *(Presented by Corrina Nunez, Housing and Community Development Division)*

Ms. Corrina Nunez, Project Manager, with the Housing and Community Development Division, stated that staff is recommending the Housing and Community Development Commission recommend City Council approve Amendment No. 1 to the August 2011 HOME CHDO Agreement for the Bridges at Florence Project. Amendment 1 will provide for: the unit count to increase from 21 to 34; extend the project completion date from October 1, 2013 to October 1, 2014; increase the project budget from \$4 million to \$6.8 million; update the Cash Flow Statement to show the increase in property revenue; and revise the project site plan. There will be no change to the HOME CHDO assisted units within

the project. The increase in unit count is being proposed due to the current and higher than anticipated yield on the tax credits. She added that Mr. Welton Jordan and Mr. Jim Hendricks, representing the development team, were in attendance. Vice-Chair Rodriguez asked if the difference being asked for increase is \$2.8 million. Ms. Nunez answered the budget will increase because the unit count is increasing, but the City will not be putting any more HOME dollars into the project.

Vice-Chair Rodriguez asked if the developer has to apply for the tax credit increase. Ms. Nunez answered yes. Vice-Chair Rodriguez said it was based on a return of somebody that made more money on tax credits than expected, and asked if they anticipate a greater return on the tax credits. Ms. Nunez replied, initially, when the Housing Division received the HOME application, the tax credits were paying about 70 cents on the dollar. Currently the tax credits are paying about 92 to 93 cents on the dollar. Vice-Chair Rodriguez asked if that was the incentive to prompt the King of Kings to ask for the modification. Ms. Nunez answered yes. Vice-Chair Rodriguez stated he divided the \$3.9 million figure that they had authorized previously for the 21 units, and it came out to a per-unit cost of \$188,000, and adding 13 units would put it at \$219,000 per unit. He asked why there is such a difference in the two numbers. Mr. Welton Jordan, with the Fresno Housing Authority, stated the current budget is somewhere around \$200,000, and overall, the costs went up from about \$188,000 to about \$200,000 per unit.

Vice-Chair Rodriguez asked Ms. Nunez if she could explain the paragraph on Exhibit B that starts out, "HOME Funds will be made available by the CITY for payment of HOME eligible costs not to exceed the lesser of One Million Four Hundred Thousand dollars and....." Vice-Chair Rodriguez said he thought that the sentence was telling us to compare the \$1.4 million to some other figure, but it's stating not to exceed \$1.4 million. Ms. Nunez said HOME funds cannot exceed the lesser of the aggregate of the per unit HOME cap. It's a subsidy cap based on bedroom size. Vice-Chair Rodriguez asked, under Exhibit C, what is the \$399,000 financing for. Mr. Jordan stated they are going to have to get a bridge loan in order to complete construction, because the \$1.9 million with the City and the Housing Authority commitment is not enough to build the project. They have to get a construction loan, and that has lender fees that the ultimate investor charges, and interest. On a 10- or 12-month construction period, all the fees are rolled up, and the \$399,000 is made up of interest, and loan origination fees, and maybe some legal fees. Vice-Chair Rodriguez asked if these are fees being paid for by the builder awaiting the tax credits, which are going to be forthcoming, so they have something to operate with. Mr. Jordan said yes, the tax credits come in, and they get a large portion of the equity at project completion. Vice-Chair Rodriguez stated, under the same section it states "Predevelopment/Soft Costs," and asked what is incorporated under that title; what goes in the \$1,664,486. Mr. Jordan replied the \$1.6 million predevelopment/soft costs are the architectural and the legal fees.

Commissioner Farrar asked, regarding the "Low-Income Housing Tax Credits," if that is a market-driven rate, the 93 cents, and in December of 2013, that could be a different rate. Mr. Jordan said that's a possibility. Commissioner Farrar asked if it could be higher or it could be lower than the .92 or .93. Ms. Nunez said it's possible it could be lower, but they won't know until the first round of the 2012 tax credit application happens. Commissioner Farrar asked if it's significantly lower, say 75 cents, they would then come back to the Housing Commission for a change. Ms. Nunez replied if it's significantly lowered, the developer would need to reduce their units or would have to find other funds to make up for what they thought they would get in tax credits. Commissioner Farrar noted that since construction would be on its way, they could get shorted. Ms. Claudia Cázares, Manager of the Housing and Community Development Division, asked if they lock in the price before they begin construction. Mr. Jordan said correct, they know how much they're going to pay before they start construction.

Commissioner Roberts asked for a brief run-down on how the tax credits worked. Mr. Jordan said the Low-income Tax Credit Program is a federal program. A certain amount of credits are allocated to each state based on the population, and each state has its own tax credit allocation committee. There are two rounds per year. It's a competitive process, and if you're awarded, they allocate the credits to you, and it's up to the limited partnership or developer to then sell those credits to a bank. It offsets the bank's tax liability. Commissioner Roberts inquired as to what it's actually costing the developer, how much "skin" they have in the game. She asked if it's going to be costing the developer almost \$5 million, or over time they will get the credits on taxes. Mr. Jordan replied the investor pays for the credits up front, and they get the credits over a 10-year period. They protect that liability by requiring guarantees. The Housing Authority steps in as a guarantor, and guarantees that if there is debt service, the credits are actually credits, it's not a loan. They actually give you the money to build it, you don't have to pay it back. On this deal there isn't any hard bank debt. Ms. Cázares stated, to clarify, this is a 100% affordable housing project, and for the most part, developers don't build 100% affordable projects. The developers, by themselves, really don't have "skin" in the game. No developer would do that; they wouldn't be guaranteed any return on investment. In this case the return on investment is usually pretty low, the developers don't really have net income, and if they do, the City asks for part of their loan to be paid back. Ms. Nunez stated that the developer does own the property, so they are bringing that value to the project. Ms. Cázares added, and the Housing Authority is providing the loan of \$500,000, and they are a co-developer on the project.

Vice-Chair Rodriguez asked what the Housing Authority's role is in the project. Mr. Jordan said the role of the Housing Authority is co-developer with King of Kings, and also a general partner in the ownership structure of the development when it's built. The Housing Authority's role will be assisting with submitting the tax credit application. King of Kings has the City HOME commitment, and the Housing Authority is also providing a soft loan similar to the City loan, so that if there is any cash flow coming from the project, there will be a pro rata share of that. But the rents will probably be \$300, \$400, and restricted to

\$500 at the most. Vice-Chair Rodriguez asked if Mr. Jordan said they are a co-builder and a co-owner at the end of the construction. Mr. Jordan replied yes. He stated another piece of the Tax Credit Program is that they create a single-asset entity, like a limited partnership, and the bank who gives the \$4.9 million, really owns 99.99% of the asset. King of Kings and the Housing Authority will split the .01 percent of ownership in the entity. This is how the bank captures all of the tax losses, depreciation, and that's how they get their benefit. The King of Kings and the Housing Authority will be responsible for day-to-day operations.

Vice-Chair Rodriguez asked if Mr. Hendricks had anything to add. Mr. James Hendricks, representing King of Kings, stated this is the third iteration on this project. The Housing Authority makes a real positive difference, because this is a competitive application process. When the tax allocation people look at the team and the track record that the Housing Authority has had with tax credit projects, it gives King of Kings an added position. The Housing Authority stepped up and said they would put some of their own money into the project to make it work, and King of Kings is hoping the Housing and Community Development Commission will pass affirmatively on this project so that it can be brought to fruition.

MOTION: Vice-Chair Rodriguez made a motion to approve Item D-1

SECONDED: Commissioner Farrar

AYES: Chair Cox, Vice-Chair Rodriguez, Commissioners Farrar, Fiske, and Roberts

NOES: None

ABSTAIN: None

#### **E. INFORMATIONAL REPORTS**

None

#### **F. COMMISSIONERS' ITEMS**

Commissioner Roberts stated there will be a weekend event, an Open Loft Exposé, Living Downtown, at the Pacific Southwest Building. Saturday night, February 25, starting at 6:00 p.m., there will be an after-party event, which is free, and free parking. During the weekend, all the lofts Downtown will open their doors to visitors. There will be artists from Visalia; Engelmänn Cellars will provide wine; there will be food. This is a great way to bring people who live at the north end of town to the Downtown area.

#### **G. UNSCHEDULED ORAL COMMUNICATIONS**

None

#### **H. ADJOURNMENT**

There being no further business to bring before the Housing and Community Development Commission, the meeting adjourned at 5:39 p.m.

Next Regularly Scheduled Commission Meeting: March 14, 2012

Attest: \_\_\_\_\_  
Rogenia Cox, Chairperson



Attest: \_\_\_\_\_  
Claudia Cázares, Manager  
Housing and Community Development